

CITY OF HOLSTEIN
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2014 THROUGH JUNE 30, 2015

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CITY OF HOLSTEIN

<u>Name</u>	<u>TITLE</u>	<u>Term Expires</u>
Mary Gross	Mayor	January, 2016
James Doxtad	Council Member	January, 2016
Kevin Heck	Council Member	January, 2016
Todd Vohs	Council Member	January, 2016
Julie Lukins	Council Member	January, 2018
Perry Venteicher	Council Member	January, 2018
Marlo Schoer	City Administrator	Indefinite
Renee Leonard	Deputy Clerk	Indefinite
Thad Cosgrove	Attorney	Indefinite

HUNZELMAN, PUTZIER & CO., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
STEVE C. CAMPBELL, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of the City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Holstein for the period July 1, 2014 through June 30, 2015. The City of Holstein's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2014 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.

9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed voter approved levies for proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Holstein, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Holstein and other parties to whom the City of Holstein may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Hunzelman, Putzger & Co., PLLC

March 9, 2016

DETAILED RECOMMENDATION

CITY OF HOLSTEIN
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

1. Cash – handling, reconciling and recording.
2. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
3. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
4. Payroll – recordkeeping, preparation and distribution.
5. Utilities – billing, collecting, depositing and posting.
6. Financial reporting – preparing and reconciling.
7. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

(B) Monthly Bank Reconciliations – Although monthly bank reconciliations were prepared, the outstanding deposit and check listings generated by the financial system incorrectly included transactions which were no longer outstanding.

Recommendation – The City should establish procedures to ensure bank account balances are reconciled properly to the general ledger monthly. Outstanding deposit and check listings should reflect only transactions that are truly outstanding at month end. Variances, if any, should be reviewed and resolved timely.

(C) Petty Cash – The City’s petty cash funds were not included in the City’s accounting records and resulting fund balances.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A City shall keep accounts which show an accurate detailed statement of all public funds collected, received, or expended for any City purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City funds and accounts, including petty cash, should be included in the Clerk’s accounting system.

(D) City Council Meeting Minutes – The following were identified:

- Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Minutes for one meeting tested was not published within fifteen days.
- The City Council went into a closed session on November 4, 2014. The specific exemption under Chapter 21.5 of the Code of Iowa was not identified or documented as required.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days, as required, and the specific exemption under Chapter 21.5 of the Code should be identified and documented when entering a closed session.

CITY OF HOLSTEIN
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015

- (E) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Marlo Schoer, City Administrator, husband owns S&S Sales	Supplies and parts	\$885
Julie Lukins, Council Member, Owner of Lukins Construction	Building rent, labor and repairs	\$17,162

In accordance with chapter 362.5(3)(k) of the Code of Iowa, the transactions with council member Lukins may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year. The remaining transactions do not appear to represent a conflict of interest since the cumulative amount was less than \$2,500 during the fiscal year.

Recommendation - The Code does allow the City to transact business with City officers or employees in excess of \$2,500 but only if the contract is made subject to a competitive bid in writing, publicly invited, and opened. The City should consult their attorney to determine that they are in compliance with the Code of Iowa.

- (F) Financial Condition – At June 30, 2015, the City had a deficit balance of \$33,544 in the Debt Service Fund. Also, the Storm Water fund had a deficit of \$734.

Recommendation – The City should investigate alternatives to eliminate these deficits to return the funds to a sound financial condition.

- (G) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the health and social services and debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (H) Disbursements – The following were identified:

- One disbursement tested did not have proper supporting documentation.
- While the City Council notes approval of claims in the minutes, evidence of approval is not indicated on a detailed list of claims, nor on the invoices.

Recommendation – The City should ensure adequate supporting documentation is received prior to approving a claim for payment and establish procedures to authenticate a detailed listing of claims or document approval on each invoice.